

**UNEMPLOYMENT
INSURANCE
AGENCY**

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Governor Granholm's \$206 Million Unemployed Worker Assistance Plan

\$206 Million for Michigan's long-term unemployed workers

Under a plan approved by the Michigan House of Representatives (HB 4945), 53,000 of the state's long-term unemployed could become eligible for \$206 million in additional federal jobless benefits.

The benefits would be payable through the federal Temporary Extended Unemployment Compensation – X (TEUC-X) program and the federal-state Extended Benefits (EB) program.

TEUC-X would provide up to 13 weeks of federally funded unemployment benefits. Under the House-approved plan, workers, who are still unemployed and who have exhausted their TEUC-X, could then qualify for additional unemployment benefits through the EB program.

In addition to helping Michigan's unemployed, the added jobless benefits could generate up to \$9.8 million in extra state revenue, through income tax and sales tax revenues.

Since unemployment benefits are *high velocity* dollars, they are used quickly to purchase food, clothing and shelter. It is estimated that each benefit dollar paid has a multiplier effect of about 2.5 times as goods and services are purchased in the community, which translates into \$515 million for Michigan's economy.

No benefit charges to Michigan employers

Michigan employers would not face additional charges to their unemployment tax accounts under the plan.

The TEUC-X benefits are 100% paid for by the federal government. EB payments, after the first week, are 50% paid for by the federal government. Total federal benefit payments are expected to reach \$181 million.

For the state share of any extended benefits that may be paid:

- **Contributing employers** (generally private employers who pay their state unemployment taxes quarterly) will have those benefits (an estimated \$23 million) charged to the state's nonchargeable benefits account within the state's UI trust fund, and not the employers' accounts.
- **Reimbursing employers** (public and nonprofit employers) will have their EB charges (estimated to be \$1.75 million) reimbursed from the UI program's penalty & interest funds.

Who would qualify for TEUC-X

The plan would qualify jobless workers for TEUC-X benefits, if they have exhausted their federal TEUC benefits *on or after the week ending May 24, 2003*.

Governor's Plan

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TEUC-X and EB could be paid for weeks of unemployment beginning the week after the legislation is signed into law. Under the plan, jobless workers could qualify for Extended Benefits once they exhaust their TEUC-X. The two programs would continue as long as the three-month average unemployment rate is at least 6.5% through *December 27, 2003*.

Weekly TEUC-X and EB would be the same as workers received in their state benefit checks for half the number of weeks.

The Unemployment Insurance Agency (UIA) will mail applications for the TEUC-X program to potentially eligible unemployed Michigan workers once the legislation is signed.

What the plan proposes

The plan would *temporarily* change Michigan's unemployment insurance law, allowing the state to use, for the first time, its *total* unemployment rate as the mechanism for triggering on TEUC-X and EB in the state. The law now requires the state to use its *insured* unemployment rate as the trigger mechanism, but the state does not meet the required criteria to start this program.

The plan would sunset on December 27, 2003.

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